

expenses. Accordingly, the Department returned the recommendation to the Committee for reconsideration.

The Committee conducted a telephone vote on November 21, 1994, and approved by a majority vote a revised budget with an additional \$20,000 for salaries. There were two Committee members who were unavailable to vote. The Committee's recommended revised total expense amount is \$74,427, which is \$29,117 less in expenses than the previous year.

The Committee also recommended not to have an assessment rate for the 1995 fiscal year. The \$2,500 in interest income and \$71,927 from the Committee's authorized reserves will adequately cover estimated expenses.

Major expense categories for the 1995 fiscal year include \$24,000 for the Western Grape Leaf Skeletonizer project, \$12,487 for salaries, \$20,000 for salaries of Los Angeles Market inspectors and \$4,440 for rent. Funds in the reserve at the end of the 1995 fiscal year are estimated at \$93,431.

This action will not impose additional costs on handlers. The Administrator of the AMS has determined that this action will not have a significant economic impact on a substantial number of small entities.

After consideration of all relevant matter presented, including the information and recommendations submitted by the Committee and other available information, it is hereby found that this rule as hereinafter set forth will tend to effectuate the declared policy of the Act.

Pursuant to 5 U.S.C. 553, it is also found and determined upon good cause that it is impracticable, unnecessary, and contrary to the public interest to give preliminary notice prior to putting this rule into effect and that good cause exists for not postponing the effective date of this action until 30 days after publication in the Federal Register because: (1) The Committee needs to have sufficient funds to pay its expenses which are incurred on a continuous basis; (2) the fiscal year for the Committee begins January 1, 1995, (3) handlers are aware of this action which is similar to budgets issued in past years; and (4) this interim final rule provides a 30-day comment period, and all comments timely received will be considered prior to finalization of this action.

#### List of Subjects in 7 CFR Part 925

Grapes, Marketing agreements and orders, Reporting and recordkeeping requirements.

For the reasons set forth in the preamble, 7 CFR Part 925 is amended as follows:

#### **PART 925—GRAPES GROWN IN A DESIGNATED AREA OF SOUTHEASTERN CALIFORNIA**

1. The authority citation for 7 CFR Part 925 continues to read as follows:

Authority: 7 U.S.C. 601–674.

Note: This section will not appear in the annual Code of Federal Regulations.

2. A new §925.214 is added to read as follows:

#### **§925.214 Expenses.**

Expenses of \$74,427 by the California Desert Grape Administrative Committee are authorized for the fiscal year ending December 31, 1995. Unexpended funds may be carried over as a reserve.

Dated: January 12, 1995.

Sharon Bomer Lauritsen,

*Deputy Director, Fruit and Vegetable Division.*

[FR Doc. 95–1234 Filed 1–18–95; 8:45 am]

BILLING CODE 3410–02–P

#### **Rural Utilities Service**

#### **7 CFR Parts 1710, 1712, 1714, 1717, 1719, and 1785**

**RIN 0572–AA69**

#### **Loan Policies and Procedures for Electric Loans**

**AGENCY:** Rural Utilities Service, USDA.

**ACTION:** Final rule.

**SUMMARY:** The Rural Utilities Service (RUS) hereby amends its regulations for electric loans. Key provisions of this regulation include: Lengthening the allowable construction financing period for most electric loans; clarifying RUS requirements for supplemental financing concurrent with municipal rate loans; substantially modifying the requirement that borrowers develop and maintain certain levels of equity; and clearly setting forth the documents required for a complete loan application. In addition, this regulation eliminates some policies and procedures that have become obsolete. This regulation is intended to simplify loan application procedures for borrowers and reduce administrative costs to the Government.

**EFFECTIVE DATE:** This rule is effective February 21, 1995.

**FOR FURTHER INFORMATION CONTACT:** Sue Arnold, Financial Analyst, U.S. Department of Agriculture, Rural Utilities Service, room 2230–s, 14th Street and Independence Avenue, SW.,

Washington, DC 20250–1500. Telephone: 202–720–0736. FAX 202–742–4120.

**SUPPLEMENTARY INFORMATION:** This rule has been determined to be not significant for the purposes of Executive Order 12866 and therefore has not been reviewed by the Office of Management and Budget (OMB). The Administrator of RUS has determined that the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*) does not apply to this rule. The Administrator of RUS has determined that this rule will not significantly affect the quality of the human environment as defined by the National Environmental Policy Act of 1969 (42 U.S.C. 4321 *et seq.*). Therefore, this action does not require an environmental impact statement or assessment. The program described by this rule is listed in the Catalog of Federal Domestic Assistance Programs under number 10.850 Rural Electrification Loans and Loan Guarantees. This catalog is available on a subscription basis from the Superintendent of Documents, the United States Government Printing Office, Washington, DC 20402–9325. This rule is excluded from the scope of Executive Order 12372, Intergovernmental Consultation, which may require consultation with State and local officials. A Notice of Final Rule titled Department Programs and Activities Excluded from Executive Order 12372 (50 FR 47034) exempts electric loans and loan guarantees made pursuant to the Rural Electrification Act of 1936, as amended (7 U.S.C. 901 *et seq.*) (RE Act), from coverage under this Order. This rule has been reviewed under Executive Order 12778, Civil Justice Reform. This rule: (1) Will not preempt any state or local laws, regulations, or policies, unless they present an irreconcilable conflict with this rule; (2) Will not have any retroactive effect; and (3) Will not require administrative proceedings before any parties may file suit challenging the provisions of this rule.

#### **Information Collection and Recordkeeping Requirements**

The existing recordkeeping and reporting burdens contained in this rule were approved by OMB pursuant to the Paperwork Reduction Act of 1980 (44 U.S.C. 3501 *et seq.*), under control numbers 0572–0017, 0572–0032, and 0572–0103.

Send questions or comments regarding these burdens or any other aspect of these collections of information, including suggestions for reducing the burden, to the Office of

Information and Regulatory Affairs, Office of Management and Budget, Attention: Desk Officer for USDA, room 3201, NEOB, Washington, DC 20503.

#### Background

On August 5, 1994, at 59 FR 39972, the Rural Electrification Administration (REA) proposed several amendments to pre-loan regulations affecting both insured and guaranteed electric loans pursuant to the Rural Electrification Act of 1936, as amended (7 U.S.C. 901 *et seq.*) (RE Act). These amendments are intended to enhance the delivery of customer service by facilitating the application process for borrowers, and reducing administrative costs to the Government. Key provisions of the proposed rule include lengthening the allowable construction financing period for many electric loans; substantially revising the requirement that borrowers achieve and maintain certain levels of equity; and clearly listing the documents required for a complete loan application.

Since publication of the proposed rule, the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 (Pub. L. 103-354, 108 Stat. 3178) (Reorganization Act) has been enacted. The Reorganization Act requires in section 232(a) that the Secretary of Agriculture (Secretary) establish and maintain within the Department of Agriculture the Rural Utilities Service (RUS). Section 232(c)(1)(A) requires that the Secretary carry out through RUS electric loan programs authorized under the RE Act. Secretary's Memorandum 1010-1, Reorganization of the Department of Agriculture, issued October 20, 1994, abolished REA and established RUS. On December 27, 1994, the Department of Agriculture published a notice in the Federal Register at 59 FR 66517 announcing this reorganization. In other words, RUS is the successor to REA with respect to electric loan and loan guarantee programs under the RE Act.

Rules formerly published by REA were reassigned to RUS pursuant to a final rule published in the Federal Register on December 27, 1994, at 59 FR 66438. Therefore, this final rule culminating a rulemaking proceeding initiated by REA is being published by RUS. According to 7 CFR 1710.3 of the rule changing nomenclature, the terms "RUS bulletin" and "RUS form" have the same meaning as the terms "REA bulletin" and "REA form," respectively.

The period for public comments on the REA proposed rule expired October 4, 1994. Twenty-one comments were

received from individual borrowers, associations representing borrowers, a lender that provides supplemental financing to electric borrowers, and an engineering consulting firm. In general, comments expressed support for the proposed rule. A number of comments addressed specific provisions.

#### Loan Period

The first of the amendments in the proposed rule lengthens the allowable loan period to 4 years for both insured and guaranteed loans for the construction of distribution and transmission facilities and for improvements to generation facilities. The loan period, sometimes referred to as the financing period, means the period of time during which the facilities included in a loan application will be constructed. In the past, loans to distribution borrowers were limited to a 2 year loan period, and loans to power supply borrowers to a 3 year period. Some borrowers needed to apply for loans every 2 or 3 years in order to meet their financing needs. RUS believes that allowing a longer loan period will, in the long run, significantly reduce loan application costs to Agency customers, including RUS borrowers and supplemental lenders, as well as loan processing costs to the Government. Borrowers will still have the option of applying for loans for a shorter period, if they so desire, and RUS reserves the right to limit loans to a period of less than 4 years under certain circumstances.

Most commentors supported the changes proposed. Several requested that RUS allow more loan fund advances on a municipal rate loan made for a longer loan period. The proposed rule at 7 CFR 1714.6(a)(2) would allow up to 6 advances from a municipal rate loan if the loan period is 2 years or less, and up to 8 advances if the loan period is longer than 2 years. A limit on the number of loan fund advances from municipal rate loans was first set forth in the rule published December 20, 1993, at 58 FR 66260, that established the municipal rate loan program. As noted in the preamble to this rule at 58 FR 66261, the limit was intended to provide borrowers with financial flexibility, while minimizing the administrative costs to the Government of tracking multiple advances, each bearing its own interest rate, interest rate term, and rollover maturity date. Agency research conducted before publication of the 1993 rule indicated that the vast majority of loans were fully advanced in 6 or fewer advances.

The comment period on the 1993 rule closed on March 21, 1994, and no

comments were received on limiting the number of advances. RUS believes that 8 advances from a municipal rate loan with a 4 year loan period will allow the borrowers sufficient flexibility. Because hardship rate loans and guaranteed loans bear a single interest rate for the entire amount, and there are no interest rate terms or rollover maturity dates associated with these loans, there is no limit on the number of advances.

One commentor, an engineering consulting firm, opposed a 4 year loan period. The commentor questioned RUS' ability to maintain adequate engineering oversight over facilities constructed under a longer construction work plan (CWP). RUS is confident that electric system reliability will not suffer as a result of a longer financing period. RUS reserves in, § 1710.106(f), the right to approve a loan period shorter than the period requested by the borrower if a loan for the longer period would fail to meet RUS requirements for loan feasibility and security.

#### Fund Advance Period

In conjunction with lengthening the allowable loan period, the rule proposed lengthening the fund advance period, which is the period during which RUS may advance funds to the borrower from an insured loan. Agency policy first promulgated in 1984 provides that the fund advance period terminates automatically 4 years after the date of the loan contract. To allow borrowers to complete construction projects based on a loan period of more than 2 years, the rule proposed, in § 1714.56, that funds from insured loans approved on or after the effective date of the rule may be advanced for a period beginning on the date of the loan note and lasting 1 year longer than the loan period, provided that the fund advance period may not be shorter than 4 years. In other words, if the loan period is 3 years or less, the fund advance period would terminate 4 years after the date of the loan note; if the loan period is 4 years, the fund advance period would terminate 5 years after the date of the note. The Administrator may approve an extension of the fund advance period if the borrower meets the requirements of § 1714.56(c).

Several commentors expressed support for the proposed change. One commentor suggested that the fund advance period be calculated from the date of the first advance, rather than from the date of the loan note. RUS believes, as stated in the preamble to the proposed rule, that, dating the fund advance period from the date of the loan note assists both the borrower and RUS,

by providing a fixed date that is determined as early as possible.

On April 7, 1993, at 58 FR 18043, REA published a proposed amendment to 7 CFR part 1785, where provisions for automatic termination of the insured electric loans were originally published, that would, in effect, redesignate subpart A as 7 CFR 1785 subpart F. Since automatic termination of the fund advance period on insured electric loans is more closely related to the subject matter of part 1714 than of part 1785, RUS has determined that setting out the requirements in detail in part 1714 would better serve the public. Therefore, the rule published today removes subpart A (proposed subpart F) of part 1785.

#### Supplemental Financing

Another amendment in the proposed rule clarifies policy on supplemental financing requirements. Except in cases of financial hardship, applicants for a municipal rate insured loan are required to obtain a portion of their loan funds from a supplemental source without an RUS guarantee. The method for determining the supplemental financing percentage for each individual loan is set forth in 7 CFR 1710.110(c) (1) and (2). For most borrowers, this percentage is based on the borrower's plant revenue ratio (PRR), as defined in § 1710.2. To clarify the requirement for those borrowers whose PRR changes between the time of the loan application and the time of loan approval, the rule proposed to codify the policy of using the PRR based on the most recent year-end data available on the date of loan approval.

The rule further proposed to clarify policies in cases where termination or rescission of an insured loan, or its associated supplemental loan, substantially affects the overall proportion of RUS and supplemental financing to a borrower. Under longstanding policy, the amount of supplemental financing required on that borrower's next municipal rate loan is adjusted to maintain the overall proportion of RUS to supplemental financing. The rule published today clarifies that the adjustment will only be made following rescission or termination of more than 5 percent of an insured loan subject to supplemental financing. No adjustment will be made based on rescission of a hardship rate loan where no supplemental financing was required. The amendment will also set forth the formula used to compute the adjustment.

Most commentors supported the proposed changes. One commentor suggested an alternative to PRR in determining the amount of

supplemental financing required. RUS is analyzing other possible methods of targeting assistance to needy communities. Changes in the methodology for determining the supplemental financing proportions may be proposed at a later date.

#### Amortization of Principal

In conjunction with lengthening the allowable loan period, the agency proposed that principal amortization on advances made more than 2 years after the date of the note begin with the loan payment billed in the next full month after the month of the advance. For example, principal amortization on funds advanced any time during the month of June of the third year after the date of the note would begin with the bill sent to the borrower in July of that year. In cases of financial hardship, the Administrator may approve a principal deferment period of up to 2 years for any advances made after the second year of the loan.

Most commentors expressed support for the proposed provisions. One commentor believed that provisions concerning amortization are more restrictive than provisions for deferral of principal permitted by section 12 of the RE Act. Section 12 deferrals of principal are permitted for the specific purposes set forth in the RE Act. Regulatory provisions for amortization, on the other hand, apply uniformly to all loans. RUS believes that the provisions in the proposed rule concerning amortization of principal are appropriate.

#### Final Maturity

Another amendment makes technical changes in the method used to evaluate final maturity of loans. RUS loans must be repaid with interest within a period, up to 35 years, that approximates the expected useful life of the facilities financed. The old rule based expected useful life on the weighted average of the depreciation rates proposed by the borrower. The amendment provides that final maturity will be based on the weighted average useful life of the facilities financed, instead of depreciation rates.

One commentor objected to the proposed change, stating that the agency should continue to base final maturity on depreciation rates, and that depreciation rates should be modified to more accurately reflect useful life. RUS agrees that depreciation rates should reflect useful life. However, basing loan maturity directly on useful life is a more straightforward approach that RUS believes will reduce administrative costs for both the borrowers and the Government.

To facilitate the determination of the final maturity, RUS is incorporating into the final rule published today, a provision from a proposed rule published by REA on August 20, 1993, at 58 FR 44288. According to this proposed rule, Long-Range Financial Forecasts of Electric Borrowers, for the purpose of determining final loan maturity, the borrower may either (1) Certify that at least 90 percent of the loan funds are for facilities that have a useful life of 33 years or longer, or (2) Submit a schedule showing the costs and useful life of those facilities with a useful life of less than 33 years. Loan maturity will be based on the weighted average of these useful lives.

Since exact useful life is often difficult to predict, RUS may add up to two years to the composite average useful life in order to compute loan maturity. In other words, if the weighted average useful life of the facilities is 33 years, the final maturity for the loan may be up to 35 years.

The comment period on the 1993 proposed rule, as extended by a notice published September 30, 1993, at 58 FR 48800, closed on October 20, 1993. No commentors objected to the proposed method of approximating the useful life of the facilities financed. Accordingly, the rule published today includes this methodology in paragraph 1710.115(b). To set forth the specific loan application document for the information about useful life, a new paragraph 1710.401(a)(3)(ii) is added requiring that Form 740c, Cost Estimates and Loan Budget for Electric Borrowers, include as a note, either a certification that at least 90 percent of the loan funds are for facilities that have a useful life of 33 years or longer, or a schedule showing the costs and useful life of those facilities with a useful life of less than 33 years. The paragraphs designated in the proposed rule as 1710.401(a)(3)(ii) and (iii) are included in the final rule as 1710.401(a)(3)(iii) and (iv), respectively. Language in paragraph 1710.401(c)(1) of the proposed rule requiring a proposed schedule of the useful life of facilities as part of the Long-range financial forecast is removed from this final rule. A final rule on long-range financial forecasts will be published at a later date.

#### Equity

The rule proposed replacing the requirement that certain borrowers prepare a formal equity development plan with a more general requirement that the borrower's capitalization is adequate to enable the borrower to meet its financial needs and to provide electric service consistent with the RE Act. Capital structure will be measured

by equity as a percentage of total assets and will be a factor in RUS's evaluation of loan feasibility pursuant to 1710.112, in determining borrower eligibility for advance approval of a lien accommodation pursuant to 7 CFR 1717.854, and in evaluating certain other borrower requests under the mortgage.

Most commentors expressed support for this proposal. One commentor opposed the proposal, arguing that the requirement to prepare and follow an equity development plan better supports borrowers requesting rate increases from state public utility commissions, and better positions borrowers to obtain financing at market rates and replace old plant with new more expensive plant. RUS agrees that reasonable levels of equity are an important component of credit quality. However, as stated in the preamble to the proposed rule, agency experience with equity development plans has demonstrated that such plans are an unnecessary and burdensome means of achieving the desired result.

One commentor requested that those borrowers who have adopted equity development plans as a condition for obtaining an electric loan be permitted to amend these plans pursuant to the new rule. RUS points out that the new rule establishes, in § 1710.112(b)(10), a new loan feasibility criterion addressing the borrower's capitalization. It would not be feasible to revisit each loan that required an equity development plan as a condition of loan approval in the light of the new loan feasibility criterion.

#### Credit Reform

A policy change mandated by the Federal Credit Reform Act of 1990 (2 U.S.C. 661f), affects loans approved on or after October 1, 1991. The Federal Credit Reform Act requires Federal agencies to match funds obligated, disbursed, and collected with their intended purposes. Therefore, the rule proposed, in § 1710.106(f), that advances of funds from a loan made on or after that date be made only for primary budget purposes included in that particular loan, unless the borrower applies for and RUS approves a budget transfer. Primary budget purposes as listed in RUS Bulletin 26-1, Budgetary Control and Advance of Loan Funds, and on RUS Form 595, Financial Requirement and Expenditure Statement, are (1) Distribution, (2) Transmission, (3) Generation, (4) Headquarters Facilities, (5) Acquisitions, and (6) All Other.

Only one comment addressed this provision. The commentor recognized the requirements of Federal Credit Reform, but hopes that RUS can find a

way to be flexible. The rule provides this flexibility by providing that RUS may approve a budget transfer.

#### Loan Application Documents

Finally, the rule proposed to add new subpart I to part 1710 to set forth a list of the documents and procedures required for a loan application. This list is intended to facilitate the application process for borrowers and supplemental or other lenders. The general requirement to submit each of the documents is set forth in existing part 1710 or in other RUS regulations. The proposed new subpart I is simply a summary list for the convenience of the public. RUS is exploring possibilities for electronic submission of certain documents.

Most commentors expressed support for such a list. Several had specific suggestions for the list. A few commentors suggested a materiality threshold for determining whether the lists of pending actions by third parties and pending regulatory actions (§ 1710.401(a)(1)(iv) and (v), respectively), are required. Another would like a clear definition of a material change to real property (§ 1710.401(a)(7)). RUS believes that the nature of these matters precludes any rule of thumb for determining materiality. This suggestion cannot be accepted.

However, another commentor suggested that the borrower be allowed to combine into a single statement from counsel information on pending litigation and the state regulatory approvals (§§ 1710.401(a)(6) and (15), respectively). RUS has no objection to accepting, in a single statement, information from counsel required by § 1710.401(a)(6), (7), and (15), and clarification has been added to § 1710.401(a)(6).

One commentor requested that the borrower be required to submit the rate disparity and consumer income data needed for certain municipal rate loans subject to the interest rate cap and for some hardship rate loans to RUS prior to submitting the loan application. Language in § 1710.401(a)(8) encourages borrowers to provide this information to the RUS general field representative prior to submitting the application.

One commentor questioned the reference to subpart H of part 1710 in connection with the requirement to submit a Demand Side Management Plan (§ 1710.401(c)(2)(iv)). Subpart H of part 1710, Demand Side Management and Renewable Energy Systems, was published January 4, 1994, at 59 FR 494. Another suggested that RUS establish a threshold level test for determining the

need for RUS approval of security offered to a supplemental lender (§ 1710.405(b)). RUS believes that the right to approve collateral offered to a supplemental lender is necessary for RUS to protect its loan security.

One commentor requested that RUS provide the borrower with written grounds if a loan cannot be approved. Such language has been added to § 1710.406(b). See also §§ 1710.401(d)(3) and (4) and .401(e).

#### Conforming Amendments to RUS Regulations

The rule published today includes conforming amendments to §§ 1710.7(d)(1)(vi), 1717.856(d), and 1717.860(e) to reflect the elimination of the requirement to submit an equity development plan.

#### Other Regulations

On August 27, 1991, at 56 FR 42461, REA published 7 CFR Parts 1712 and 1719 that established pre- and post-loan policies for 90 percent REA guarantees of certain loans from qualified private lenders. This program was authorized under section 314 of the RE Act. The Rural Electrification Loan Restructuring Act of 1993, Pub. L. 103-129, signed by President Clinton on November 1, 1993, amended section 314 of the RE Act to abolish this 90 percent guarantee program. RUS is, therefore, removing 7 CFR parts 1712 and 1719. Regulations affecting loan guarantees under sections 306, 306A, and 311 of the RE Act will be published at a later date.

#### Other Issuances

Electric Operations Manual, EOM-1 Guide for the Preparation of Electric Distribution Loan Applications is rescinded effective February 21, 1995.

In addition, this rule consolidates, updates, and, in some instances, revises information contained in the following RUS Bulletins:

- 20-5 Extensions of Payments of Principal and Interest
- 20-9 Loan Payments and Statements
- 26-1 Budgetary Control and Advance of Electric Loan Funds
- 86-3 Headquarters Facilities for Electric Borrowers

When this regulation and other related rules are effective, these publications will be rescinded, in whole or in part, or revised.

Finally, RUS is rescinding RUS Bulletins 101-3, Business Management for Board Members of Electric Cooperatives, and 103-1, A Practical Approach to Making Policy, effective February 21, 1995. These bulletins were last issued in 1978 and 1959, respectively, and RUS believes the

information they contain is obsolete and unnecessary.

List of Subjects

7 CFR Part 1710

Electric power, Electric utilities, Loan programs—energy, Rural areas.

7 CFR Part 1712

Administrative practice and procedure, Electric power, Electric utilities, Guaranteed program, Loan programs—energy, Reporting and recordkeeping requirements, Rural areas.

7 CFR Part 1714

Electric power, Loan programs—energy, Rural areas.

7 CFR Part 1717

Administrative practice and procedure, Electric power, Electric utilities, Intergovernmental relations, Investments, Lien accommodation, Lien subordination, Loan programs—energy, Reporting and recordkeeping requirements, Rural development.

7 CFR Part 1719

Administrative practice and procedure, Electric power, Electric utilities, Guaranteed program, Loan programs—energy, Reporting and recordkeeping requirements, Rural areas.

7 CFR Part 1785

Electric power, Loan programs—energy, Rural areas.

For the reasons set out in the preamble and under the authority of 7 U.S.C. 90 *et seq.*, RUS amends 7 CFR Chapter XVII as follows:

**PART 1710—GENERAL AND PRE-LOAN POLICIES AND PROCEDURES COMMON TO INSURED AND GUARANTEED ELECTRIC LOANS**

1. The authority citation for part 1710 continues to read as follows:

Authority: 7 U.S.C. 901–950(b); Public Law 99–591, 100 Stat. 3341–16; Public Law 103–354, 108 Stat. 3178.

2. Section 1710.2 is amended by removing the existing definition of “Loan Period” and adding two new definitions in alphabetical order to read as follows:

**§ 1710.2 Definitions and rules of construction.**

(a) \* \* \* *Fund advance period* means the period of time during which the Government may advance loan funds to the borrower. See 7 CFR 1714.56.

\* \* \* \* \*

*Loan period* means the period of time during which the facilities included in a loan application will be constructed. It commences with the date shown on page 1, in the block headed “Cost Estimates as of,” of RUS Form 740c, Cost Estimates and Loan Budget for Electric Borrowers, which is the same as the date on the Financial and Statistical Report submitted with the loan application. The loan period may be up to 4 years for distribution borrowers and, except in the case of a loan for new generating and associated transmission facilities, up to 4 years for the transmission facilities and improvements or replacements of generation facilities for power supply borrowers. The loan period for new generating facilities is determined on a case by case basis.

\* \* \* \* \*

3. Section 1710.7 is amended by removing and reserving paragraph (d)(1)(vi).

4. Section 1710.106 is amended by redesignating paragraph (d) as paragraph (e) and adding new paragraphs (d) and (f) to read as follows:

**§ 1710.106 Uses of loan funds.**

\* \* \* \* \*

(d) A distribution borrower may request a loan period of up to 4 years. Except in the case of loans for new generating and associated transmission facilities, a power supply borrower may request a loan period of not more than 4 years for transmission and substation facilities and improvements or replacements of generation facilities. The loan period for new generating facilities is determined on a case by case basis. The loan period for DSM activities will be determined in accordance with § 1710.355. The Administrator may approve a loan period shorter than the period requested by the borrower, if in the Administrator’s sole discretion, a loan made for the longer period would fail to meet RUS requirements for loan feasibility and loan security set forth in §§ 1710.112 and 1710.113, respectively.

\* \* \* \* \*

(f)(1) For borrowers having one or more loans approved on or after October 1, 1991, advances of funds will be made only for the primary budget purposes included in the loan as shown on RUS Form 740c as amended and approved by RUS, or on a construction work plan or a construction work plan amendment approved by RUS. Each advance will be charged to the oldest outstanding note(s) having unadvanced funds for the primary budget purpose for which the request for advances was made,

regardless of whether such notes are associated with loans approved before or after October 1, 1991, unless any conditions on advances under any of these notes have not been met by the borrower.

(2) For borrowers whose most recent loan was approved before October 1, 1991, advances will be made on the oldest outstanding note having unadvanced funds, unless any conditions on advances under such note have not been met by the borrower.

5. Section 1710.110 is amended by revising paragraph (c)(1)(ii) and adding a new paragraph (c)(3) to read as follows:

**§ 1710.110 Supplemental financing.**

\* \* \* \* \*

(c) *Supplemental financing required for municipal rate loans—(1) Distribution borrowers.*

\* \* \* \* \*

(ii) All other distribution borrowers must obtain supplemental financing according to their plant revenue ratio (PRR), as defined in § 1710.2, based on the most recent year-end data available on the date of loan approval, as follows:

PRR	Supplemental loan percentage
9.00 and above .....	10
8.01–8.99 .....	20
8.00 and below .....	30

\* \* \* \* \*

(3) *Subsequent loans.* (i) If more than 5 percent of an insured loan made prior to November 1, 1993, or of a municipal rate loan is terminated or rescinded, the amount of supplemental financing required in the borrower’s next loan after the rescission for which supplemental financing is required, pursuant to paragraph (a) of this section, will be adjusted to average the actual supplemental financing portion on the terminated or rescinded loan with the supplemental financing portion that would have been required on the new loan according to paragraphs (c)(1) and (2) of this section, in accordance with the formulas set forth in paragraphs (c)(3)(ii) and (iii) of this section.

(ii) If a borrower’s supplemental financing requirement as set forth in paragraphs (a), (c)(1), and (c)(2) of this section has not changed between the most recent loan and the loan being considered, then the amount of supplemental financing required for the new loan will be computed as follows: Supplemental financing amount, new

$$\text{loan} = [(A + B) \times C] - D$$

where:

- A = The total funds (\$) actually advanced from the first loan, including both RUS loan funds and funds from the supplemental loan, plus any unadvanced funds still available to the borrower after the rescission.
- B = The total amount (\$) for facilities of the new loan request, including both RUS loan funds and funds from supplemental loans.
- C = The proportion (%) of supplemental financing required on the loans according to paragraphs (a), (c)(1) and (c)(2) of this section.
- D = The amount (\$) of supplemental funds actually advanced on the first loan, plus any unadvanced supplemental funds still available to the borrower after the rescission.

(iii) If a borrower's supplemental financing requirement as set forth in paragraphs (a), (c)(1), and (c)(2) of this section has changed between the most recent loan and the loan being considered, then the amount of supplemental financing required for the new loan will be the weighted average of the portions otherwise applicable on the two loans and will be computed as follows:

$$\text{Supplemental financing amount, new loan} = (A \times C_1) + (B \times C_2) - D$$

where:

- A = The total funds (\$) actually advanced from the first loan, including both RUS loan funds and funds from the supplemental loan, plus any unadvanced funds still available to the borrower after the rescission.
- B = The total amount (\$) for facilities of the new loan request, including both RUS funds and funds from supplemental loans.
- C<sub>1</sub> = The proportion (%) of supplemental financing required on the old loan according to paragraphs (a), (c)(1) and (c)(2) of this section.
- C<sub>2</sub> = The proportion (%) of supplemental financing required on the new loan according to paragraphs (a), (c)(1) and (c)(2) of this section.
- D = The amount (\$) of supplemental funds actually advanced on the first loan, plus any unadvanced supplemental funds still available to the borrower after the rescission.

\* \* \* \* \*

6. Section 1710.112 is amended by adding a new paragraph (b)(10) to read as follows:

**§ 1710.112 Loan feasibility.**

\* \* \* \* \*

(b) \* \* \*

(10) The borrower's projected capitalization, measured by its equity as a percentage of total assets, is adequate to enable the borrower to meet its financial needs and to provide service consistent with the RE Act. Among the factors to be considered in reviewing the borrower's projected capitalization are the economic strength of the borrower's service territory, the inherent cost of providing service to the territory, the disparity in rates between the borrower and neighboring utilities, the intensity of competition faced by the borrower from neighboring utilities and other power sources, and the relative amount of new capital investment required to serve existing or new loads.

7. Section 1710.115 is amended by revising paragraph (b) to read as follows:

**§ 1710.115 Final maturity.**

\* \* \* \* \*

(b) Loans made or guaranteed by RUS for facilities owned by the borrower generally must be repaid with interest within a period, up to 35 years, that approximates the expected useful life of the facilities financed. The expected useful life shall be based on the weighted average of the useful lives that the borrower proposes for the facilities financed by the loan, provided that the proposed useful lives are deemed appropriate by RUS. RUS Form 740c, Cost Estimates and Loan Budget for Electric Borrowers, submitted as part of the loan application must include, as a note, either a statement certifying that at least 90 percent of the loan funds are for facilities that have a useful life of 33 years or longer, or a schedule showing the costs and useful life of those facilities with a useful life of less than 33 years. The useful lives proposed by the borrower for the facilities financed must be consistent with the borrower's proposed depreciation rates for these facilities. In states where the borrower must obtain state regulatory authority approval of depreciation rates for rate making purposes, the depreciation rates used for the purposes of this paragraph shall be the rates currently approved by the state authority or rates for which the borrower plans to seek state authority approval, provided that these rates are deemed appropriate by RUS. In other states, if the rates proposed by the borrower are not deemed appropriate by RUS, RUS will base expected useful life on the depreciation rates listed in Bulletin 183-1, or its successor, revising such rates as necessary to reflect current industry practice (for availability of bulletins, see § 1710.5.). Final maturities for loans for the implementation of programs for demand side management and energy resource conservation and

on and off grid renewable energy sources not owned by the borrower will be determined by RUS. Due to the uncertainty of predictions over an extended period of time, RUS may add up to 2 years to the composite average useful life of the facilities in order to determine final maturity.

\* \* \* \* \*

**§ 1710.116 [Removed and Reserved]**

8. Section 1710.116 is removed and reserved.

9. Section 1710.251 is amended by revising paragraph (b) to read as follows:

**§ 1710.251 Construction work plans—distribution borrowers.**

\* \* \* \* \*

(b) A distribution borrower's CWP shall cover a construction period of between 2 and 4 years, and include all facilities to be constructed which are eligible for RUS financing, whether or not RUS financial assistance will be sought or be available for certain facilities. Any RUS financing provided for the facilities will be limited to a 4 year loan period. The construction period covered by a CWP in support of a loan application shall not be shorter than the loan period requested for financing of the facilities.

\* \* \* \* \*

10. Section 1710.252 is amended by revising paragraph (b) to read as follows:

**§ 1710.252 Construction work plans—power supply borrowers.**

\* \* \* \* \*

(b) Normally a power supply borrower's CWP shall cover a period of 3 to 4 years. While comprehensive CWP's are desired, if there are extenuating circumstances RUS may accept a single-purpose transmission or generation CWP in support of a loan application or budget reclassification. The construction period covered by a CWP in support of a loan application shall not be shorter than the loan period requested for financing of the facilities.

\* \* \* \* \*

11. Subpart I is added to part 1710 to read as follows:

**Subpart I—Application Requirements and Procedures for Insured and Guaranteed Loans**

- Sec.
- 1710.400 Initial contact.
- 1710.401 Loan application documents.
- 1710.402-1710.403 [Reserved]
- 1710.404 Additional requirements.
- 1710.405 Supplemental financing documents.
- 1710.406 Loan approval.
- 1710.407 Loan documents.

### Subpart I—Application Requirements and Procedures for Insured and Guaranteed Loans

#### § 1710.400 Initial contact.

(a) Loan applicants that do not have outstanding loans from RUS should write to the Rural Utilities Service Administration, United States Department of Agriculture, Washington, DC 20250-1500. A field or headquarters staff representative may be assigned by RUS to visit the applicant and discuss its financial needs and eligibility. Borrowers that have outstanding loans should contact their assigned RUS general field representative (GFR) or, in the case of a power supply borrower, the Director, Power Supply Division. Borrowers may consult with RUS field representatives and headquarters staff, as necessary.

(b) Before submitting an application for an insured loan the borrower shall ascertain from RUS the amount of supplemental financing required, as set forth in § 1710.110. If the borrower is applying for either a municipal rate loan subject to the interest rate cap or a hardship rate loan, the application must provide a preliminary breakdown of residential consumers either by county or by census tract. Final data must be included with the application. See § 1710.401(a)(8).

#### § 1710.401 Loan application documents.

(a) *All borrowers.* All applications for electric loans shall include the documents listed in this paragraph. The first page of the application shall be a list of the documents included in the application. The borrower may use RUS Form 726, Checklist for Electric Loan Application, or a computer generated equivalent as this list.

(1) Transmittal letter. A letter signed by the borrower's manager indicating the actual corporate name and taxpayer identification number of the borrower and addressing the following items:

- (i) The need for flood hazard insurance;
- (ii) Breakdown of requested loan funds by state;
- (iii) A listing of the counties served by the borrower;
- (iv) A listing of threatened actions by third parties that could adversely affect the borrower's financial condition, including annexations or other actions affecting service territory, loads, or rates; and
- (v) A listing of pending regulatory proceedings pertaining to the borrower.

(2) Board resolution. This document is the formal request by the borrower's board of directors for a loan from RUS. The board resolution shall include:

(i) The requested loan amount, loan term, final maturity, and method of amortization (§ 1710.110(b));

(ii) The sources and amounts of any supplemental or other financing;

(iii) Authorization for RUS to release appropriate information to supplemental or other lender(s), and authorization for these lenders to release appropriate information to RUS; and

(iv) For an insured loan, a statement of whether the application is for a municipal rate loan, with or without the interest rate cap, or a hardship loan. If the application is for a municipal rate loan, the board resolution must indicate whether the borrower intends to elect the prepayment option. See 7 CFR 1714.4(c).

(3) RUS Form 740c, Cost Estimates and Loan Budget for Electric Borrowers. This form together with its attachments lists the construction, equipment, facilities and other cost estimates from the construction work plan or engineering and cost studies, and the sources of financing for each component. The date on page 1 of the form is the beginning date of the loan period and shall be the same as the date on the Financial and Statistical Report submitted with the application (paragraph (a)(5) of this section). Form 740c also includes the following information, exhibits, and attachments:

(i) *Description of funds and materials.* This description details the availability of materials and equipment, any unadvanced funds from prior loans, and any general funds the borrower designates, to determine the amount of such materials and funds to be applied against the capital requirements estimated for the loan period.

(ii) *Useful life of facilities financed by the loan.* Form 740c must include, as a note, either a statement certifying that at least 90 percent of the loan funds are for facilities that have a useful life of 33 years or longer, or a schedule showing the costs and useful life of those facilities with a useful life of less than 33 years. This statement or schedule will be used to determine the final maturity of the loan. See § 1710.115.

(iii) *Reimbursement schedule.* This schedule lists the date, amount, and identification number of each inventory of work orders and special equipment summary that form the basis for the borrower's request for reimbursement of general funds on the RUS Form 740c. See § 1710.109. If the borrower is not requesting reimbursement, this schedule need not be submitted.

(iv) *Location of consumers.* If the application is for a municipal rate loan subject to the interest rate cap, or for a loan at the hardship rate, and the

average number of consumers per mile of the total electric system exceeds 17, Form 740c must include, as a note, a breakdown of funds included in the proposed loan to furnish or improve service to consumers located in an urban area. See 7 CFR 1714.7(c) and 1714.8(d). This breakdown must indicate the method used by the borrower for allocating loan funds between urban and non urban consumers.

(4) RUS Form 740g, Application for Headquarters Facilities. This form lists the individual cost estimates from the construction work plan or other engineering study that support the need for RUS financing for any warehouse and service type facilities included, and funding requested for such facilities shown on RUS Form 740c. If no loan funds are requested for headquarters facilities, Form 740g need not be submitted.

(5) Financial and statistical report. Distribution borrowers shall submit these data on RUS Form 7; power supply borrowers shall use RUS Form 12. The form shall contain the most recent data available, which shall not be more than 60 days old when received by RUS.

(6) Pending litigation statement. A statement from the borrower's counsel listing any pending litigation, including levels of related insurance coverage and the potential effect on the borrower. This statement and the statements from counsel required by paragraphs (a)(7) and (15) of this section may be combined into a single document.

(7) Mortgage information. A new mortgage will be required if this is a borrower's first application for a loan under the RE Act. A restated mortgage, or a mortgage supplement will be required if there has been a material change to the real property owned by the borrower since the most recent RUS loan, loan guarantee, or lien accommodation, if the requested loan would cause the borrower to exceed its previously authorized debt limit, or if RUS otherwise determines it necessary. If there has been no material change to the real property owned by the borrower since the most recent RUS loan or loan guarantee, the borrower must submit an opinion of its counsel to that effect. If a new or restated mortgage or a mortgage supplement is required, the borrower must provide the following:

(i) *Property schedule.* For a new or restated mortgage or for a mortgage supplement, the following information shall be submitted in a form satisfactory to RUS:

(A) A listing of the counties where the borrower's existing electric facilities and new facilities are or will be located;

(B) A listing and description of all real property owned by the borrower; and

(C) An opinion of the borrower's counsel certifying that the property schedule is complete and adequate for inclusion in a security instrument to be executed by the borrower to secure an RUS loan.

(ii) *Maximum debt limit.* For a new mortgage, or if the proposed loan would result in the borrower's existing mortgage debt limit being exceeded, a resolution of the borrower's board of directors, and any other authorizations or certifications required by State law, certifying that a new debt limit has been legally established that is adequate to accommodate existing indebtedness and the proposed new financing, including any concurrent loans.

(8) Rate disparity and consumer income data. If the borrower is applying under the rate disparity and consumer income tests for either a municipal rate loan subject to the interest rate cap or a hardship rate loan, the application must provide a breakdown of residential consumers either by county or by census tract. In addition, if the borrower serves in 2 or more states, the application must include a breakdown of all ultimate consumers by state. This breakdown may be a copy of Form EIA 861 submitted by the Borrower to the Department of Energy or in a similar form. See 7 CFR 1714.7(b) and 1714.8(a). To expedite the processing of loan applications, RUS strongly encourages distribution borrowers to provide this information to the GFR prior to submitting the application.

(9) Standard Form 100—Equal Employment Opportunity Employer Report EEO—1. This form, required by the Department of Labor, sets forth employment data for borrowers with 100 or more employees. A copy of this form, as submitted to the Department of Labor, is to be included in the application for an insured loan if the borrower has more than 100 employees. See § 1710.122.

(10) Form AD-1047, Certification Regarding Debarment, Suspension, and Other Responsibility Matters—Primary Covered Transactions. This statement certifies that the borrower will comply with certain regulations on debarment and suspension required by Executive Order 12549, Debarment and Suspension (3 CFR, 1986 Comp., p. 189). See 7 CFR part 3017 and § 1710.123.

(11) Uniform Relocation Act assurance statement. This assurance, which need not be resubmitted if

previously submitted, provides that the borrower shall comply with 49 CFR part 24, which implements the Uniform Relocation Assistance and Real Property Acquisition Policy Act of 1970, as amended by the Uniform Relocation Act Amendments of 1987 and 1991. See § 1710.124.

(12) Lobbying. The following information on lobbying is required pursuant to 7 CFR part 3018 and § 1710.125. Borrowers applying for both insured and guaranteed financing should consult RUS before submitting this information.

(i) *Certification regarding lobbying.* This statement certifies that the borrower shall comply with certain requirements with respect to restrictions on lobbying activities.

(ii) *Standard Form LLL—Disclosure of Lobbying Activities.* This disclosure form is required from those borrowers engaged in lobbying activities.

(13) Federal debt delinquency requirements. See 1710.126. The following documents are required:

(i) *Report on Federal debt delinquency.* This report indicates whether or not a borrower is delinquent on any Federal debt.

(ii) *Certification Regarding Federal Government Collection Options.* This statement certifies that a borrower has been informed of the collection options the Federal Government may use to collect delinquent debt. The Federal Government is authorized by law to take any or all of the following actions in the event that a borrower's loan payments become delinquent or the borrower defaults on its loans:

(A) Report the borrower's delinquent account to a credit bureau;

(B) Assess additional interest and penalty charges for the period of time that payment is not made;

(C) Assess charges to cover additional administrative costs incurred by the Government to service the borrower's account;

(D) Offset amounts owed directly or indirectly to the borrower under other Federal programs;

(E) Refer the borrower's debt to the Internal Revenue Service for offset against any amount owed to the borrower as an income tax refund;

(F) Refer the borrower's account to a private collection agency to collect the amount due; and

(G) Refer the borrower's account to the Department of Justice for collection.

(14) Articles of incorporation and bylaws. The following are required if either document has been amended since the last loan application was submitted to RUS, or if this is a

borrower's first application for a loan under the RE Act:

(i) The borrower's articles of incorporation currently in effect, as filed with the appropriate state office, setting forth the borrower's corporate purpose; and

(ii) The bylaws currently in effect, as adopted by the borrower's board of directors, setting forth the manner by which the borrower's organization will be governed and regulated.

(15) State regulatory approvals. In states in which regulatory authorities have jurisdiction over the borrower's rates, the borrower must provide satisfactory evidence, pursuant to §§ 1710.105 and 1710.151(f), based on the information available, such as an opinion of counsel or of another qualified source, that the state regulatory authority will not exclude from the borrower's rate base any of the facilities included in the loan request, or otherwise prevent the borrower from charging rates sufficient to repay with interest the debt incurred for the facilities.

(16) Seismic safety certifications. This certification shall be included, if required under 7 CFR part 1792.

(17) Rates. (i) A distribution borrower shall explain any recent or planned changes in retail rates, the status of any pending rate cases before a state regulatory authority, or other pertinent rate information.

(ii) A power supply borrower shall submit a schedule of its wholesale rates currently in effect. Any changes in this schedule are subject to RUS approval.

(18) Additional supporting data. Additional supporting data may be required by RUS depending on the individual application or conditions. Examples of such additional supporting data include information about acquisitions, headquarters facilities, generation or transmission facilities, large power loads or special loads.

(b) *Distribution borrowers.* In addition to the items in paragraph (a) of this section, applications for loans submitted by distribution borrowers shall include the borrower's area coverage and line extension policies. If there have been any amendments to area coverage or line extension policies since the last loan application submitted to RUS, or if this is a borrower's first application for a loan under the RE Act, the borrower shall submit the board of directors' approved policies on area coverage and line extensions. See §§ 1710.103 and 1710.151(a).

(c) *Primary support documents.* In addition to the loan application, consisting of the documents required by paragraphs (a) and (b) of this section, all

borrowers must also provide RUS with the following primary support documents pursuant to § 1710.152:

(1) Along with the loan application, the borrower shall submit to RUS a Long-Range Financial Forecast (LRFF), that meets the requirements of subpart G of this part. The forecast shall include any sensitivity analysis or analysis of alternative scenarios required by subpart G of this part, and shall be accompanied by a certified board resolution adopting, and indicating the board of directors' approval of, the LRFF, and directing management to take whatever steps may be necessary, including the filing for rate increases, to achieve the TIER goals set forth in the LRFF.

(2) Prior to RUS's acceptance of the loan application, the borrower shall submit to RUS and receive approval of:

(i) Power Requirements Study (PRS) that meets the requirements of subpart E of this part, and is accompanied by a certified board resolution adopting, and indicating the board of directors' approval of, the PRS.

(ii) Construction Work Plan (CWP) and/or related engineering and cost studies that meets the requirements of subpart F of this part, and is accompanied by a certified board resolution adopting, and indicating the board of directors' approval of, the CWP and/or engineering and cost studies.

(iii) Borrower's Environmental Report (BER), or other environmental information as required by 7 CFR part 1794.

(iv) Demand Side Management Plan and/or Integrated Resource Plan, if required by subpart H of this part.

(d) *Submission of documents.* (1) Generally, all information required by paragraphs (a), (b), and (c)(1) of this section is submitted to RUS in a single application package. The information required by paragraph (c)(2) of this section is generally submitted to, and approved by RUS before the application is submitted.

(2) To facilitate loan review, RUS urges borrowers to ensure that their applications contain all of the information required by this section before submitting the application to RUS. Borrowers may consult with RUS field representatives and headquarters staff as necessary for assistance in preparing loan applications.

(3) RUS may, in its discretion, return an application to the borrower if the application is not materially complete to the satisfaction of RUS within 10 months of receipt of any of the items listed in paragraph (a) or (b) of this section. RUS will generally advise the borrower in writing at least 2 months

prior to returning the application as to the elements of the application that are not complete.

(4) If an application is returned, an application for the same loan purposes will be accepted by RUS if satisfactory evidence is provided that all of the information required by this section will be submitted to RUS within a reasonable time. An application for loan purposes included in an application previously returned to the borrower will be treated as an entirely new application.

(e) *Complete applications.* An application is complete when all information required by RUS to approve a loan is materially complete in form and substance satisfactory to RUS.

(f) *Change in borrower circumstances.* A borrower shall, after submitting a loan application, promptly notify RUS of any changes in its circumstances that materially affect the information contained in the loan application or in the primary support documents.

(g) *Interest rate category.* For pending loans, RUS will promptly notify the borrower if its eligibility for an interest rate category changes pursuant to new information from the Department of Energy or the Bureau of the Census. See 7 CFR part 1714.

(Approved by the Office of Management and Budget under control numbers 0572-0017, 0572-0032 and 0572-1013.)

#### §§ 1710.402-1710.403 [Reserved]

#### § 1710.404 Additional requirements.

Additional requirements for insured electric loans are set forth in 7 CFR part 1714.

#### § 1710.405 Supplemental financing documents.

(a) The borrower is responsible for ensuring that the loan documents required for supplemental financing pursuant to § 1710.110 are executed in a timely fashion. These documents are subject to RUS approval.

(b) Security. Any security offered by the borrower to a supplemental lender is subject to RUS approval.

#### § 1710.406 Loan approval.

(a) A loan is approved when the Administrator signs the administrative findings.

(b) If the loan is not approved, RUS will notify the borrower of the reason.

#### § 1710.407 Loan documents.

Following approval of a loan, RUS will forward the loan documents to the borrower for execution, delivery, recording, and filing, as directed by RUS.

#### PART 1712—[REMOVED]

12. Part 1712 is removed.

#### PART 1714—PRE-LOAN POLICIES AND PROCEDURES FOR INSURED ELECTRIC LOANS

13. The authority citation for part 1714 continues to read as follows:

Authority: 7 U.S.C. 901-950(b); Pub. L. 99-591, 100 Stat. 3341; Pub. L. 103-353, 108 Stat. 3178 (7 U.S.C. 6941 *et seq.*)

14. Section 1714.6 is amended by revising paragraph (a)(2) to read as follows:

#### § 1714.6 Interest rate term.

(a) \* \* \*

(2) The following limits apply to the number of advances of funds that may be made to the borrower on any municipal rate loan:

(i) If the loan period is 2 years or less, not more than 6 advances;

(ii) If the loan period is more than 2 years, not more than 8 advances.

\* \* \* \* \*

15. Subpart B is added to part 1714 to read as follows:

#### Subpart B—Terms of Insured Loans

Sec.

1714.50-1714.54 [Reserved]

1714.55 Advance of funds from insured loans.

1714.56 Fund advance period.

1714.57 Sequence of advances.

1714.58 Amortization of principal.

1714.59 Rescission of loans.

#### Subpart B—Terms of Insured Loans

#### § 1714.50-1714.54 [Reserved]

#### § 1714.55 Advance of funds from insured loans.

The borrower shall request advances of funds as needed. Advances are subject to RUS approval and must be requested in writing on RUS Form 595 or an RUS approved equivalent. Funds will not be advanced until the Administrator has received satisfactory evidence that the borrower has met all applicable conditions precedent to the advance of funds, including evidence that the supplemental financing required under 7 CFR part 1710 and any concurrent loan guaranteed by RUS are available to the borrower under terms and conditions satisfactory to RUS.

#### § 1714.56 Fund advance period.

(a) For loans approved on or after February 21, 1995, the fund advance period begins on the date of the loan note and is one year longer than the loan period, but not less than 4 years. For example, the fund advance period for a loan with a 2-year loan period

terminates automatically 4 years after the date of the loan note; a loan with a 4-year loan period terminates automatically 5 years after the date of the loan note. The Administrator may extend the fund advance period on any loan if the borrower meets the requirements of paragraph (c) of this section. As defined in 7 CFR 1710.2, the loan period begins on the date shown on page 1 of RUS Form 740c submitted with the loan application.

(b) For loans approved on or after June 1, 1984, and before February 21, 1995, the fund advance period begins on the date of the loan contract, or the most recent amendment thereto, and terminates automatically 4 years from the date of the loan contract, or the most recent amendment thereto, except as provided in paragraph (c) of this section.

(c) The Administrator may agree to an extension of the fund advance period for loans approved on or after June 1, 1984, if the borrower demonstrates to the satisfaction of the Administrator that the loan funds continue to be needed for approved loan purposes (i.e., facilities included in an RUS-approved construction work plan).

(1) To apply for an extension, the borrower must send to RUS, at least 120 days before the automatic termination date, the following:

(i) A certified copy of a board resolution requesting an extension of the Government's obligation to advance loan funds;

(ii) Evidence that the unadvanced loan funds continue to be needed for approved loan purposes; and

(iii) Notice of the estimated date for completion of construction.

(2) In the case of financial hardship, as determined by the Administrator, RUS may agree to an extension of the fund advance period even though the borrower has failed to meet the 120-day requirement of paragraph (c)(1) of this section.

(3) If the Administrator approves a request for an extension, RUS will notify the borrower in writing of the extension and the terms and conditions thereof. An extension will be effective only if it is obtained in writing prior to the automatic termination date.

(d) Advances of funds from loans approved before June 1, 1984, are generally made during the first 6 years of the note.

(e) RUS will rescind the balance of any loan funds not advanced to a borrower as of the final date approved for advancing funds.

#### § 1714.57 Sequence of advances.

(a) Except as set forth in paragraph (b) of this section, concurrent loan funds will be advanced in the following order:

(1) 50 percent of the RUS insured loan funds;

(2) 100 percent of the supplemental loan funds;

(3) The remaining amount of the RUS insured loan funds.

(b) At the borrower's request and with RUS approval, all or part of the supplemental loan funds may be advanced before funds in paragraph (a)(1) of this section.

#### § 1714.58 Amortization of principal.

(a) For insured loans approved on or after February 21, 1995:

(1) Amortization of funds advanced during the first 2 years after the date of the note shall begin no later than 2 years from the date of the note. Except as set forth in paragraph (a)(2) of this section, amortization of funds advanced 2 years or more after the date of the note shall begin with the scheduled loan payment billed in the month following the month of the advance.

(2) For advances made 2 years or more after the date of the note, the Administrator may authorize deferral of amortization of principal for a period of up to 2 years from the date of the advance if the Administrator determines that failure to authorize such deferral would adversely affect either the Government's financial interest or the achievement of the purposes of the RE Act.

(b) For insured loans approved before February 21, 1995, amortization of principal shall begin 2 years after the date of the note for advances made during the first and second years of the loan, and 4 years after the date of the note for advances made during the third and fourth years.

#### § 1714.59 Rescission of loans.

(a) A borrower may request rescission of a loan with respect to any funds unadvanced by submitting a certified copy of a resolution by the borrower's board of directors.

(b) RUS may rescind loans pursuant to 1714.56.

(c) Borrowers who prepay RUS loans at a discounted present value pursuant to 7 CFR part 1786, subpart F, are required to rescind the unadvanced balance of all outstanding electric notes pursuant to 7 CFR 1786.158(j).

#### PART 1717—POST-LOAN POLICIES AND PROCEDURES COMMON TO INSURED AND GUARANTEED ELECTRIC LOANS

16. The authority citation for part 1717 continues to read as follows:

Authority: 7 U.S.C. 901-950b; Pub. L. 103-354, 108 Stat. 3178 (7 U.S.C. 6941 *et seq.*), unless otherwise noted.

#### §§ 1717.856 and 1717.860 [Amended]

17. Part 1717 is amended by removing and reserving §§ 1717.856(d) and 1717.860(e).

#### PART 1719—[REMOVED]

18. Part 1719 is removed.

#### PART 1785—LOAN ACCOUNT COMPUTATIONS, PROCEDURES AND POLICIES FOR ELECTRIC AND TELEPHONE BORROWERS

19. The authority citation for part 1785 continues to read as follows:

Authority: 7 U.S.C. 901 *et seq.*; Title 1, Subtitle D, sec. 1403, Omnibus Budget Reconciliation Act of 1987, Pub. L. 100-203, 101 Stat. 1330; Pub. L. 103-354, 108 Stat. 3178 (7 U.S.C. 6941 *et seq.*).

#### Subpart A [Removed and Reserved]

20. Subpart A of part 1785 is removed and reserved.

Dated: January 9, 1995.

Bob J. Nash,

*Under Secretary, Rural Economic and Community Development.*

[FR Doc. 95-1051 Filed 1-18-95; 8:45 am]

BILLING CODE 3410-15-P

#### NUCLEAR REGULATORY COMMISSION

#### 10 CFR Part 32

RIN 3150-AF26

#### Requirement to Report Transfers of Devices to Generally Licensed Persons

AGENCY: Nuclear Regulatory Commission.

ACTION: Final rule.

**SUMMARY:** The Nuclear Regulatory Commission (NRC) is amending its regulations governing the reporting of transfers of devices to generally licensed persons. The amendments relieve initial distributors of the devices from their requirement to provide copies of the transfer reports to each appropriate NRC Regional Office. Because the reports are already sent to NRC Headquarters, it is not necessary for each Regional office to receive copies. These amendments would reduce the administrative burden on the initial distributors.